

***LANS Defined Benefit
Pension Plan***
Financial Statements
December 31, 2011 and 2010

LANS DEFINED BENEFIT PENSION PLAN

**Financial Statements
December 31, 2011 and 2010**

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REPORT OF INDEPENDENT AUDITORS**To the Participants and
Plan Administrator of the
LANS Defined Benefit
Pension Plan**

We were engaged to audit the financial statements of the LANS Defined Benefit Pension Plan (the Plan) as of and for the years ended December 31, 2011 and 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), as amended, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by State Street Bank and Trust Company (State Street) and The Bank of New York Mellon/BNY Mellon N.A. (Mellon), the trustees of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the trustees hold the Plan's investment assets and execute investment transactions. The Plan Administrator has obtained certifications from State Street as of December 31, 2011, and for the period November 1, 2011 through December 31, 2011, and from Mellon for the period January 1, 2011 through October 31, 2011, and as of and for the year ended December 31, 2010, that the information provided to the Plan Administrator by the trustees is complete and accurate.

The footnotes to the financial statements separately disclose the change in fair value of each significant type of investment for the year ended December 31, 2011 which was previously omitted.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements taken as a whole. The form and content of the information included in the financial statements, other than that derived from the information certified by the trustees, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.



MOHLER, NIXON & WILLIAMS
Accountancy Corporation

Campbell, California

October 11, 2012, except with respect to the change in fair value of each significant type of investment for 2011 disclosed in Note 4 as to which the date is November 7, 2012.

LANS Defined Benefit Pension Plan
Comparative Statements of Net Assets Available for Plan Benefits
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Investments - at fair value		
Plan interest in LLNS/LANS Group Trust	\$ 2,160,216,045	\$ 1,797,053,337
Receivables		
Miscellaneous	100,432	77,096
Employer's contributions receivable	16,672,719	34,854,265
Participants' contribution receivable	381,633	182,405
Total Receivables	<u>17,154,784</u>	<u>35,113,766</u>
 Total Assets	 <u>2,177,370,829</u>	 <u>1,832,167,103</u>
 Liabilities		
Accrued expenses	<u>1,771,616</u>	<u>1,485,117</u>
Total Liabilities	<u>1,771,616</u>	<u>1,485,117</u>
 Net assets available for benefits	 <u><u>\$ 2,175,599,213</u></u>	 <u><u>\$ 1,830,681,986</u></u>

LANS Defined Benefit Pension Plan
Comparative Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Additions		
Investment income		
From plan assets in LLNS/LANS Group Trust		
Net appreciation in fair value of investments	\$ 196,297,755	\$ 198,201,787
Interest	24,767,295	31,812,026
Dividends	14,947,347	11,422,724
Other Investments income	824,481	517,649
Total investment income	<u>236,836,878</u>	<u>241,954,186</u>
Contributions		
Employer	113,318,454	84,854,265
Participants	18,403,451	(8,168,821)
Total contributions	<u>131,721,905</u>	<u>93,023,086</u>
Total additions	<u>368,558,783</u>	<u>334,977,272</u>
Deductions		
Benefits paid to participants	16,368,045	10,650,548
Administrative expenses	7,273,511	6,490,876
Total deductions	<u>23,641,556</u>	<u>17,141,424</u>
Net increase	<u>344,917,227</u>	<u>317,835,848</u>
Net assets available for benefits		
Beginning of year	\$ 1,830,681,986	\$ 1,512,846,138
End of year	<u>\$ 2,175,599,213</u>	<u>\$ 1,830,681,986</u>

See accompanying notes to financial statements.

LANS DEFINED BENEFIT PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 1 - THE PLAN AND ITS SIGNIFICANT ACCOUNTING POLICIES

General - The following description of the LANS Defined Benefit Pension Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined benefit plan that was established on June 1, 2006 by Los Alamos National Security, LLC (the Company) to provide benefits to eligible employees, as defined in the Plan document. The Plan is currently designed to be qualified under the applicable requirements of the Internal Revenue Code (the Code), as amended, and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Plan is a closed plan and participants under the Plan include employees of the Company who on May 31, 2006 were employed by, or on an approved leave of absence from employment with the University of California, and were participating in the University of California Retirement Plan (UCRP) or in an employment classification eligible to participate in the Plan, and who did not elect retired or inactive vested status in the UCRP, and who made a Choice Election to accept employment with the Company on June 1, 2006 in accordance with the terms of Total Compensation Package 1 (TCP1). Participants of the Plan also include individuals who transitioned from employment with the University of California to employment with the Company as of June 1, 2006 who are identified by the Company and the National Nuclear Security Administration as "key personnel" in clause I-119 DEAR 952.215-70 of Contract Number DE-AC52-06NA25396 between the Company and the Department of Energy/National Nuclear Security Administration related to the operation of the Los Alamos National Laboratory.

On August 1, 2008, the Lawrence Livermore National Security, LLC (LLNS) and Los Alamos National Security, LLC Defined Benefit Pension Plan Group Trust (the Group Trust) was formed from the pension assets of the Plan and the LLNS Defined Benefit Pension Plan. In context of pension plans, a group trust is a separate trust which invests together some or all of the assets of "participating trusts." The Plan is one participating trust and the LLNS Defined Benefit Pension Plan is the other participating trust. The assets are commingled for investment purposes only at the direction of the participating trusts, and are not commingled to pay Plan benefits. The Company and LLNS would continue to sponsor separate qualified pension plans and maintain separate participating trusts. Bank of New York Mellon Trust Company, N.A. (Mellon) facilitated the transfer of the assets.

LANS DEFINED BENEFIT PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

The pooling of assets of tax exempt trusts does not affect the tax exempt status of the participating trusts or the qualified status of their related plans, according to Rev. Rul. 81-100. According to Rev. Rul. 81-100, each participating trust remains fully separate and independent from the other participating trust.

Administration - The Company has appointed a Benefits and Investment Committee (the Committee) to manage the operation and administration of the Plan. Effective November 1, 2011, the Company contracted with State Street Bank and Trust Company (State Street) to act as the successor trustee for the Plan. Prior to November 1, 2011, the Company contracted with Mellon to act as the trustee. In addition, the Company has contracted with Aon Hewitt (formerly Hewitt Associates) to act as the Plan's actuary and third-party administrator to process and maintain the records of participant data. Substantially all expenses incurred for administering the Plan are paid out of the Plan, unless paid by the Company.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated Plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Basis of accounting - The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Participant contributions - Effective April 1, 2010 the Plan was amended to initiate mandatory participant contributions equal to 2% of earnings below the Social Security Wage Base plus 4% of earnings above the Social Security Wage Base minus \$8.77 each pay period. Beginning with the pay period April 18, 2011, the mandatory participant contribution percentages increased to 4% of earnings below the Social Security Wage Base plus 6% of earnings above the Social Security Wage Base minus \$8.77 each pay period.

Vesting - The Plan provides that benefits vest to participants based on years of service as follows: less than five years of credited service, zero; five or more years of credited service, 100%.

LANS DEFINED BENEFIT PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Pension benefits - Benefits become payable to the participant after five years of service and:

- (a) electing early retirement upon attaining age 50, or
- (b) electing normal retirement upon attaining age 60, or
- (c) upon actual retirement if later than age 60.

For married participants who do not elect otherwise, benefits will be paid on the basis of a 50% joint and survivor annuity, as stipulated by ERISA, and will be the amount determined under the benefit formula stated in the Plan multiplied by the appropriate factor. If a participant is unmarried, benefits will be paid on the basis of a Single Life Annuity and will be for the amount determined under the Plan's benefit formula.

Death and disability benefits - There are no benefits payable during a period of disability prior to retirement under the Plan. The surviving spouse of a participant who has provided at least two years of service will be eligible to receive a survivor annuity and the designated beneficiary of such participant will receive a one-time single sum basic death benefit from the Plan.

Investment valuation and income recognition - The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

Investments in preferred and common corporate stocks listed on a national securities exchange and over-the-counter securities are valued at the last reported sale price on the valuation date or, if no sales are reported for that day, the last published sale price. Bonds are valued based on market values quoted by dealers who are market makers in these securities, by independent pricing services or by a methodology approved by State Street and Mellon.

Collective trust funds represent investments held in pooled funds. The investments are contributed from employee benefit plans maintained by more than one employer or controlled group of corporations that is maintained by a bank, trust company or similar institution that is regulated, supervised and subject to periodic examination by a state or federal agency. The Group Trust's interest in the collective trust funds is valued based on information provided by State Street and Mellon using the audited financial statements of the collective trust funds at year end.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Plan presents, in the statements of changes in net assets available for benefits, the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

Derivative financial instruments - The Plan accounts for derivative financial instruments at fair value in the statements of net assets available for benefits.

At December 31, 2011 and 2010, the Group Trust held futures contracts on fixed income securities. These investments were made in accordance with the guidelines set forth by the Committee and are held to manage yield curve positions more efficiently than in the cash market. The fair value of these contracts is based on the value of the underlying index or security. The Group Trust's notional exposure related to these future contracts was approximately \$246,400,000 and \$189,700,000 at December 31, 2011 and 2010, respectively.

The Plan is exposed to credit loss in the event of nonperformance by a counterparty to its contractual obligation. Based on the extent of the investment in these derivatives with any one counterparty, the Companies have determined that the risk of loss to the Group Trust in the event of nonperformance by a counterparty is not significant. The Group Trust does not anticipate nonperformance by a counterparty. The fair market values of derivative instruments held by the Group Trust were not material to total assets at December 31, 2011 and 2010.

Income taxes - The Plan has been amended since receiving a favorable determination letter dated April 28, 2010. The Company believes that the Plan is operated in accordance with, and qualifies under, the applicable requirements of the Code and related state statutes, and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that has less than a 50% likelihood of being sustained upon examination by the Internal Revenue Service. No uncertain positions have been identified that would require recognition of a liability (or asset) or disclosure in the financial statements as of December 31, 2011. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes the Plan is no longer subject to income tax examinations for years prior to 2008.

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Risks and uncertainties - The Plan invests its assets in the Group Trust. The Group Trust utilizes various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits. The Group Trust invests in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Market values of investments may decline for a number of reasons, including changes in prevailing market and interest rates, increases in defaults and credit rating downgrades.

Plan contributions, if any, and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Recent accounting pronouncements - In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 2 - FAIR VALUE MEASUREMENTS

The fair value measurements standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Following is a description of the valuation methodologies used for assets held by the Group Trust measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Level 1 investments are valued based on unadjusted quoted prices in an active market for identical assets or liabilities, and values would be based on the net asset value (NAV) or shares held by the Group Trust at year end.

Level 2 investments are valued using a compilation of primarily observable information or a broker quote in non-active markets using matrix pricing or market corroborated prices and inputs such as yield curves and indices.

Level 3 investments are not traded on an active market and the underlying assets are valued by investment managers who calculate a daily NAV for each fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

The following tables set forth by level, within the fair value hierarchy, the investments of the Group Trust at fair value as of December 31, 2011 and 2010:

	<u>Assets at fair value as of December 31, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash	\$ 134,534,890	\$ -	\$ -	\$ 134,534,890
Corporate stock - common:				
Basic materials	105,805,362			105,805,362
Conglomerates	273,768,282			273,768,282
Consumer goods	323,016,975			323,016,975
Financial	149,979,067			149,979,067
Healthcare	294,440,086			294,440,086
Industrial goods	139,781,364			139,781,364
Technology	380,273,180			380,273,180
Utilities	95,081,607			95,081,607
Others	91,736,793			91,736,793
Total corporate stock - common	1,853,882,716	-	-	1,853,882,716
U.S. government securities:				
U.S. agencies	56,855,074			56,855,074
Treasury	408,005,713			408,005,713
Other government obligations	11,156,024			11,156,024
Total U.S. government securities	476,016,811	-	-	476,016,811

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Corporate stock - preferred	<u>2,351,258</u>			<u>2,351,258</u>
Corporate debt instruments:				
Basic materials		1,946,529		1,946,529
Conglomerates		54,126,880		54,126,880
Financial		228,221,369		228,221,369
Healthcare		3,985,763		3,985,763
Industrial goods		364,892,808		364,892,808
Technology		2,312,836		2,312,836
Utilities		83,088,318		83,088,318
Others		<u>4,383,838</u>		<u>4,383,838</u>
Total corporate debt instruments	<u>-</u>	<u>742,958,341</u>	<u>-</u>	<u>742,958,341</u>
Other investments	<u>48,076,265</u>			<u>48,076,265</u>
Common/collective trust		<u>740,168,522</u>		<u>740,168,522</u>
Total investments at fair value	<u>\$2,514,861,940</u>	<u>\$1,483,126,863</u>	<u>\$ -</u>	<u>\$3,997,988,803</u>
Plan's interest in the Group Trust				53.79%

**LANS DEFINED BENEFIT
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**NOTES TO FINANCIAL STATEMENTS
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	<u>Assets at fair value as of December 31, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash	\$ 83,465	\$ -	\$ -	\$ 83,465
Corporate stock - common:				
Basic materials	86,406,409			86,406,409
Conglomerates	193,887,355			193,887,355
Consumer goods	296,320,200			296,320,200
Financial	265,471,926			265,471,926
Healthcare	139,116,660			139,116,660
Industrial goods	122,860,266			122,860,266
Technology	290,723,721			290,723,721
Utilities	91,673,337			91,673,337
Others	155,953,963			155,953,963
Total corporate stock - common	1,642,413,837	-	-	1,642,413,837
U.S. government securities:				
U.S. agencies	69,870,381			69,870,381
U.S. governments	390,597,059			390,597,059
Other government obligations	1,985,992			1,985,992
Total U.S. government securities	462,453,432	-	-	462,453,432
Corporate stock - preferred	2,347,935			2,347,935

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Corporate debt instruments:				
Basic materials		26,836,419		26,836,419
Conglomerates		105,714,146		105,714,146
Consumer goods		57,160,692		57,160,692
Financial		281,236,111		281,236,111
Healthcare		76,473,409		76,473,409
Industrial goods		114,272,752		114,272,752
Technology		13,763,523		13,763,523
Utilities		129,195,913		129,195,913
Others		177,131,440		177,131,440
Total corporate debt instruments	-	981,784,405	-	981,784,405
Other investments	35,925,634			35,925,634
Common/collective trust		363,863,325	54,020,158	417,883,483
Total investments at fair value	\$2,143,224,303	\$1,345,647,730	\$54,020,158	\$3,542,892,191

Plan's interest in the Group Trust 50.45%

The following sets forth additional disclosures for the fair value measurement of significant investments in certain entities held in the Group Trust that calculate NAV per share (or its equivalent) as of December 31, 2011 and 2010:

Sanderson International Value Group Trust

The investment objective is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. As many companies have multinational operations, a company's location will be determined primarily by its jurisdiction of incorporation. To achieve its objectives, the fund generally seeks to invest in a portfolio of securities that, in its opinion,

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possesses fundamental investment value. For redemptions, the fund requires written notice six business days prior to month end and funds are paid out on the fifth business day unless cash flows permit the redemption to be accelerated. A maximum transaction charge of 60/40 basis points is applied to contributions/redemptions, respectively.

BlackRock U.S. STRIPS 20+ Year Bond Index Fund

The investment objective is to provide as close as possible a total rate of return of debt securities as defined by the Barclays Capital U.S. Aggregate Bond Index.

NOTE 3 - RELATED PARTY TRANSACTIONS

Certain investments in the Group Trust are managed by Mellon and State Street. Any purchases and sales of these funds are performed in the open market at fair value. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

NOTE 4 - ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated Plan benefits represent the estimated future periodic payments, including lump sum distributions, under the Plan's provisions that are attributable to services rendered by employees through the valuation date. Accumulated Plan benefits include benefits expected to be paid to:

- a) retired or terminated employees or their beneficiaries,
- b) beneficiaries of employees who have died, or
- c) present employees or their beneficiaries.

Benefits under the Plan are based on years of service and benefit credit rates. The accumulated Plan benefits for active employees are based on years of service and benefit credit rates on the date at which the benefit information is presented (valuation date). Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

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The actuarial present value of accumulated Plan benefits is determined by the Plan's actuary, Hewitt Associates, and is that amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements, such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of January 1, 2011 (beginning of the year) are as follows:

Rate of return:	8%
Mortality assumption:	The 2011 Static Mortality Table for Annuitants and Non-Annuitants per SS 1.430(h)(3)-1(e)
Retirement age:	Age 60 and the completion of five year period of service

The actuarial present value of accumulated Plan benefits at January 1, 2011 is as follows:

Actuarial present value of accumulated Plan benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 160,231,785
Vested benefits for other participants	<u>1,080,872,209</u>
Total vested Plan benefits	1,241,103,994
Nonvested benefits	<u>10,627,632</u>
Total actuarial present value of accumulated Plan benefits	<u>\$1,251,731,626</u>

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The change in the actuarial present value of accumulated Plan benefits at January 1, 2011 is as follows:

Actuarial present value of Plan benefits, beginning of year	<u>\$1,192,985,850</u>
Increase (decrease) during the year attributable to:	
Interest at 8%	95,021,042
Benefit payments	(10,650,548)
Assumption changes	(128,628,647)
Other changes	<u>103,003,929</u>
	<u>58,745,776</u>
Actuarial present value of accumulated Plan benefits, end of period	<u>\$1,251,731,626</u>

Assumption changes include changes in interest rates and Mortality Tables. Other changes represent the normal operation of the Plan and the increase is mainly due to ongoing benefit accruals and items of Plan experience not associated with Plan asset performance.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

NOTE 5 - FUNDING POLICY

It is the policy of the Company to fund pension costs as accrued. Annual contributions, if any, are determined by the Plan's actuary to meet the requirements of the Funding Standard Account prescribed by ERISA and the Code. The Plan has met the minimum funding amounts as well as the specified timing requirements required by ERISA and the Code for the years ended December 31, 2011 and 2010.

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NOTE 6 - INVESTMENTS IN GROUP TRUST AND CERTIFIED INFORMATION

In accordance with 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, State Street and Mellon have certified the current value of assets held by the Group Trust and the Plan at December 31, 2011 and 2010, and transactions entered into during the years then ended, that were used in the preparation of the accompanying financial statements.

The Group Trust's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Common stock	(\$ 80,735,436)	\$225,102,759
U.S. government securities	271,315,216	22,528,546
Corporate debt instruments	55,093,268	56,098,090
Corporate stock - preferred	(1,206,599)	667,480
Common/collective trust	(3,539,861)	61,851,901
Other	<u>9,628,350</u>	<u>12,459,419</u>
	<u>\$250,554,938</u>	<u>\$378,708,195</u>

NOTE 7 - PLAN TERMINATION OR MODIFICATION

With prior approval of the National Nuclear Security Administration, the Company can terminate the Plan, subject to the provisions of Federal Law. Upon the termination of the Plan, partially or in its entirety, the rights of all affected participants to benefits accrued to the date of such termination, to the extent funded as of such date, are nonforfeitable. Provided, however, that upon termination of the Plan, the Company's obligation to make further contributions to the Plan on behalf of affected participants shall cease, except for any additional contribution that may be necessary to meet the minimum funding or other requirements of ERISA. Vested benefits at termination are payable only from the Plan and only to the extent then funded and the Company's liability shall be limited to the assets in the Plan as of the date of such termination. The termination of this Plan shall not cause or permit any part of the Plan assets to be diverted to purposes other than for the exclusive benefit of the beneficiaries of the Plan.

LANS DEFINED BENEFIT PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (the PBGC). Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor's benefits. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of termination. There is a statutory ceiling, which is adjusted periodically, on the amount of a participant's monthly benefit that the PBGC guarantees. Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan's sponsor and the level of benefits guaranteed by the PBGC.

NOTE 8 - SUBSEQUENT EVENT

The Plan has evaluated subsequent events through October 11, 2012, which is the date the financial statements were available to be issued and determined that there were no subsequent events.